

Influence of intellectual capital on board of directors style

Abstract:

Most organizations are governed and directed by the board of directors (BoD). Therefore, the success of an organization is largely attributed to an effective board as a significant component of the Corporate Governance (CG) mechanism. The style of the BoD widely differs from one to another, because so many factors influence their governing style such as their concern, ability, education, skill, gender, age, experience, cultural environment and so on. Most of these factors are considered as elements of intellectual capital. The differences in style generally refer to two aspects: Extent of concern about the board functions and the degree of board concern about interpersonal relationships. Parallel to that, some scholars contend that the BoD can be categorized according to strategic and financial controls. However, the phenomenon of an "effective board" postulates that the functions and styles of BoD are to be transformed into comprehensive board functions and styles, which should entail components of Intellectual Capital (IC). Intellectual capital or intangible assets that create a profit, is tacit and cannot be defined clearly. It is the combination of different capitals or intangible assets within a firm. This study will utilize four components of intellectual capital, namely, human, structural, relational and spiritual capital components in the BoD's style and performance, which will also eventually influence firm performance.